

Charyl Stockwell Academy

Howell, Michigan

Audited Financial Statements

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Charyl Stockwell Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charyl Stockwell Academy, as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Charyl Stockwell Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charyl Stockwell Academy as of June 30, 2007, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through viii, and 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charyl Stockwell Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2007 on our consideration of Charyl Stockwell Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Croskey, Lanni & Company, P.C.

August 24, 2007
Rochester, Michigan

Charyl Stockwell Academy

Management Discussion and Analysis

This section of Charyl Stockwell Academy's, "CSA", annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

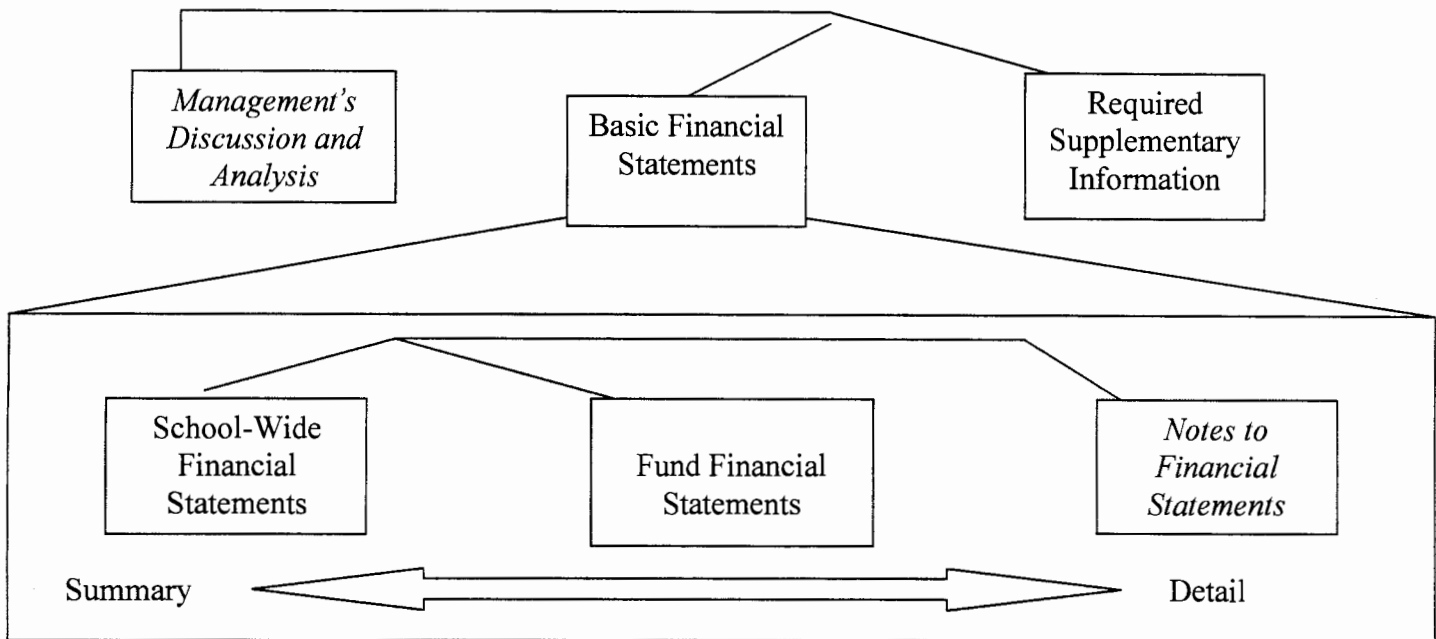
- ❖ The school received a \$210 increase in state aid resulting in a per pupil allowance of \$7,200.
- ❖ Student enrollment increased to 668 as compared to 611 last year.
- ❖ The total cost of basic programs was \$1,817,049.
- ❖ Revenues were at \$5,790,987 while expenses were \$5,936,604.
- ❖ The school has a positive fund balance in General Fund of \$585,649 and in the Debt Service fund of \$4,470,275.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the school:

- The first two statements are school-wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

Figure A-1
Organization of CSA'S Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial

Fund Financial Statements			
	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the school's financial statements, including the portion of the school's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the school's net assets and how they have changed. Net assets – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- ❖ Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explain the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See tables A-3, A-4, and A-5.

The school's financial position is the product of many factors. The asset depreciation schedule was implemented three years ago as required by GASB 34.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ A large increase in enrollment and on waiting list for future academic years.
- ❖ Controlled spending to insure it aligns with revenues received from state.
- ❖ Continued increase in fund balance provides financial stability.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget several times amending the budget three times. All invoices were paid in a timely matter.

Financial Outlook

Charyl Stockwell Academy's financial forecast continues to be optimistic heading into the 2007/2008 school year.

- ❖ Enrollment continues to grow with an estimated enrollment of 715. Increase in waiting list for subsequent years.
- ❖ Further refinement of academic program including Teacher Support Team and Gifted Program.
- ❖ Development of a High School Program to begin in 2008/2009.

Appendix A

Table A-3
CSA's Net Assets

	2007	2006
Current and other assets	\$ 5,851,093	\$ 6,438,092
Capital assets	11,196,427	11,258,773
Total assets	17,047,520	17,696,865
Long-term debt outstanding	16,519,670	16,758,195
Other liabilities	1,184,361	1,449,564
Total liabilities	17,704,031	18,207,759
Net assets:		
Invested in Capital Assets, Net of Related Debt	(5,905,932)	(5,499,422)
Restricted	4,487,962	4,929,061
Unrestricted	761,459	59,467
Total net assets	\$ (656,511)	\$ (510,894)

Table A-4
Changes in CSA's Net Assets

	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 354,118	\$ 275,320
Federal and state operating grants	652,802	547,484
General revenues:		
State aid - unrestricted	4,759,557	4,086,854
Miscellaneous	24,510	81,237
Total revenues	5,790,987	4,990,895
Expenses:		
Instruction	1,817,049	1,661,561
Special Education	337,950	239,689
Support services	620,226	538,022
General Administration	26,341	14,717
Executive Administration	325,889	284,512
Building Administration	252,054	235,688
Business Support Services	437,377	365,573
Operation and Maint.	441,683	414,007
Data Processing	31,523	33,370
Before and After School Care	166,564	133,210
Interest on long-term debt	1,118,162	1,179,538
Depreciation	361,786	361,109
Total expenses	5,936,604	5,460,996
Change in net assets	\$ (145,617)	\$ (470,101)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the school had invested \$12,575,330 in capital assets, including Their buildings, furniture, computers and software. See table A-5 below for a listing of capital assets, and the accumulated depreciation.

Table A-5 CSA's Capital Assets			
	<u>Cost</u>	<u>Accumulated and Depreciated</u>	<u>Net Book Value</u>
Land	\$ 1,472,000	\$ -	\$ 1,472,000
Buildings	9,719,764	859,936	8,859,828
Loan Issuance Cost	668,051	85,362	582,689
Equipment	<u>715,515</u>	<u>433,605</u>	<u>281,910</u>
Total	<u>\$12,575,330</u>	<u>\$ 1,378,903</u>	<u>\$11,196,427</u>

Long-Term Debt

At year end the school had debt of \$16,519,670 consisting of certificates of participation, modular loans and capital leases further described in Note 8 to the financial statements.

- The school continued to pay down its debt, retiring \$238,525 of the certificates, modular loans and leases.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Continuation of positive enrollment trends
- State aid foundations grant stabilization.
- Continued refinement of educational program.
- Development of High School program to be implemented for 2008-2009 school year.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school's office at:

Charyl Stockwell Academy, 9758 East Highland Road, Howell MI 48843

CHARYL STOCKWELL ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$ 261,292
Investments	4,487,962
Accounts receivable	31,255
Due from other governmental units	924,911
Prepaid expenses	145,673
	<hr/>
Total current assets	5,851,093

Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$1,293,541	10,613,738
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Other Assets

Capitalized loan costs less accumulated amortization of \$85,362	582,689
	<hr/>
Total assets	<u><u>\$ 17,047,520</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 101,672
Notes payable	650,000
Other accrued expenses	432,689
Long-term debt - current portion	259,244
	<hr/>
Total current liabilities	1,443,605

Long-Term Debt - Long-Term Portion

16,260,426

Net Assets

Invested in capital assets, net of related debt	(5,905,932)
Restricted for debt service	4,487,962
Unrestricted	761,459
	<hr/>
Total net assets	(656,511)
	<hr/>
Total liabilities and net assets	<u><u>\$ 17,047,520</u></u>

See accompanying notes to financial statements



CHARYL STOCKWELL ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Elementary school	\$ 1,817,049	\$ -	\$ 389,693	\$ (1,427,356)
Special education	337,950	-	263,109	(74,841)
Support services	620,226	-	-	(620,226)
General administration	26,341	-	-	(26,341)
Executive administration	325,889	-	-	(325,889)
Building administration	252,054	-	-	(252,054)
Business support services	437,377	-	-	(437,377)
Operations and maintenance	441,683	-	-	(441,683)
Data processing services	31,523	-	-	(31,523)
Custody and care of children	166,564	150,000	-	(16,564)
Unallocated depreciation	317,249	-	-	(317,249)
Unallocated amortization	44,537	-	-	(44,537)
Unallocated interest	1,118,162	204,118	-	(914,044)
Total primary government	<u>\$ 5,936,604</u>	<u>\$ 354,118</u>	<u>\$ 652,802</u>	<u>(4,929,684)</u>
General Purpose Revenues:				
State school aid - unrestricted				4,759,557
Donations				5,653
Miscellaneous				18,857
Total general purpose revenues				<u>4,784,067</u>
Deficiency of revenues over expenses				(145,617)
Net assets, July 1, 2006				<u>(510,894)</u>
Net assets, June 30, 2007				<u>\$ (656,511)</u>

See accompanying notes to financial statements

CHARYL STOCKWELL ACADEMY**COMBINED BALANCE SHEET - ALL FUND TYPES
JUNE 30, 2007****ASSETS**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Cash and cash equivalents	\$ 261,292	\$ -	\$ -
Investments	-	4,470,275	17,687
Accounts receivable	31,255	-	-
Due from other governmental units	924,911	-	-
Prepaid expenses	145,673	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,363,131</u>	<u>\$ 4,470,275</u>	<u>\$ 17,687</u>

LIABILITIES AND FUND BALANCES**Liabilities**

Accounts payable	\$ 101,672	\$ -	\$ -
Notes payable	650,000	-	-
Other accrued expenses	25,810	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	777,482	-	-

Fund Balances

Reserved for debt service	-	4,470,275	-
Reserved for capital projects	-	-	17,687
Unreserved:			
Undesignated	585,649	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,363,131</u>	<u>\$ 4,470,275</u>	<u>\$ 17,687</u>

See accompanying notes to financial statements

CHARYL STOCKWELL ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 5,073,611
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$11,907,279 and the accumulated depreciation is \$1,293,541.	10,613,738
Intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the asset is \$668,051 and the accumulated amortization is \$85,362.	582,689
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(406,879)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,519,670)</u>
Net Assets of Governmental Activities	<u>\$ (656,511)</u>

See accompanying notes to financial statements



CHARYL STOCKWELL ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues			
Local sources	\$ 297,441	\$ 202,144	\$ 1,974
State sources	4,899,735	-	-
Federal sources	389,693	-	-
Total governmental fund revenues	5,586,869	202,144	1,974
Expenditures			
Elementary school	1,817,049	-	-
Special education	337,950	-	-
Support services	620,226	-	-
General administration	26,341	-	-
Executive administration	325,889	-	-
Building administration	252,054	-	-
Business support services	437,377	-	-
Operations and maintenance	441,683	-	-
Data processing services	31,523	-	-
Custody and care of children	166,564	-	-
Capital outlay	30,923	-	268,517
Debt principal and interest	308,087	1,013,950	-
Total governmental fund expenditures	4,795,666	1,013,950	268,517
Excess (deficiency) of revenues over expenditures	791,203	(811,806)	(266,543)
Other Financing Sources (Uses)			
Operating transfers in	-	611,730	25,520
Operating transfers out	(637,250)	-	-
Total other financing sources	(637,250)	611,730	25,520
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	153,953	(200,076)	(241,023)
Fund balance, July 1, 2006	431,696	4,670,351	258,710
Fund balance, June 30, 2007	\$ 585,649	\$ 4,470,275	\$ 17,687

See accompanying notes to financial statements



CHARYL STOCKWELL ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (287,146)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 299,440	
Depreciation expense	<u>(317,249)</u>	(17,809)

Governmental funds report loan issuance costs as expenditures. However, in the statement of activities, intangible assets are capitalized and the cost is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which loan issuance costs exceeded amortization in the current period.

Amortization expense	(44,537)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Interest expense	\$ (34,650)	
Principal payments on long-term debt	<u>238,525</u>	<u>203,875</u>

Change in Net Assets of Governmental Activities	<u>\$ (145,617)</u>
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CHARYL STOCKWELL ACADEMY

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2007**

ASSETS

Cash and cash equivalents	<u>\$ 17,225</u>
Total assets	<u><u>\$ 17,225</u></u>

LIABILITIES

Due to student groups	<u>\$ 17,225</u>
Total liabilities	<u><u>\$ 17,225</u></u>

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Charyl Stockwell Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Charyl Stockwell Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 5, 1996, and began operation in July 2002.

In June 2002, the Academy entered into a five-year contract with Central Michigan University's Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Central Michigan University's Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2007 were approximately \$142,000.

In July 2001, the Academy entered into a five year agreement with Smart Schools Management, Inc. Under the terms of this agreement, Smart Schools Management, Inc. provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay Smart Schools Management, Inc. a fee of 12% of its total received from the state through the termination of the contract. In 2004, Smart Schools Management, Inc. assigned and transferred to CS Partners, LLC, all of its rights, duties and obligations under the agreement with the Academy. The total paid for these services amounted to approximately \$567,500 for the year ended June 30, 2007.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school academy. Based on application of criteria, the entity does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has elected to specify all of its funds as major.

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental Funds

A Governmental Fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The General Fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Debt Service Fund - The Debt Service Fund is used to record certain revenue and the payment of interest, principle and other expenditures on long-term debt.

Governmental Funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and so recognized as revenue in accordance with state law. A major portion of the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon continued qualification for such aid.

Government-Wide Financial Statements

The Academy was required to implement GASB Statement No. 34 during the year ended June 30, 2004. The implementation of this pronouncement requires additional statements, schedules and reconciliations in addition to the traditional fund statements. The additional required information is described in greater detail in the following paragraphs.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies - Continued

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies - Continued

Receivables

Receivables at June 30, 2007 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2007 and are considered current for the purposes of these basic financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is recorded in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than 1 year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	3 - 15 years
Computers and software	3 - 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. During the year ended June 30, 2007 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - all governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances, significant budget overruns are as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund		
Special education	\$ 272,422	\$ 337,950
Custody and care of children	150,000	166,564

NOTE 3 - Deposits and Investments

The Academy maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per financial institution. The Academy's uninsured cash balance as of June 30, 2007 amounted to \$197,692. The Academy's investments at June 30, 2007 were comprised of fund shares that had a carrying amount and market value of \$4,487,962. These investments are held by a trustee for debt service on the Certificates of Participation as described in Note 8. The investments are in mutual funds that invest solely in US Treasury obligations.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 4 - Due From Other Governmental Units

Amounts owed from governmental units and other consist of the following:

At risk	\$	1,697
Character ed grant		37,270
State aid		864,066
Special education		21,878
Total	\$	<u>924,911</u>

NOTE 5 - Capital Assets and Depreciation

Capital asset activity of the Academy's governmental activities was as follows:

	Balance July 1, 2006	Additions	Balance June 30, 2007
Computers	\$ 457,272	\$ 4,186	\$ 461,458
Software	37,446	5,903	43,349
Furniture and fixtures	41,413	-	41,413
Equipment	165,006	4,289	169,295
Land	1,472,000	-	1,472,000
Building and improvements	<u>9,434,702</u>	<u>285,062</u>	<u>9,719,764</u>
Total cost	11,607,839	299,440	11,907,279
Less accumulated depreciation	<u>976,292</u>	<u>317,249</u>	<u>1,293,541</u>
Undepreciated cost	<u>\$ 10,631,547</u>	<u>\$ (17,809)</u>	<u>\$ 10,613,738</u>
Loan issuance costs	\$ 668,051	\$ -	\$ 668,051
Accumulated amortization	<u>40,825</u>	<u>44,537</u>	<u>85,362</u>
Net loan issuance costs	<u>\$ 627,226</u>	<u>\$ (44,537)</u>	<u>\$ 582,689</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - Notes Payable

The Academy has obtained two lines of credit from a financial institution. The lines were issued to provide the Academy with operating money during the school year. The first line, issued for \$1,200,000, has a term of one year, with principal payments of \$200,000 beginning on February 5, 2007, with a final payment on July 5, 2007. The second line, issued for \$500,000, has a term of one year, with principal payments of \$83,333 beginning on October 10, 2007, with a final payment on March 10, 2008. Interest on both lines is calculated at 6.6% and 7.75% respectively. Security for the lines is provided through future state aid payments. The total amounts outstanding on the lines at June 30, 2007 amounted to \$200,000 and \$450,000 respectively.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 6 - Notes Payable - Continued

Notes payable as of June 30, 2007 can be summarized as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2007</u>
Loan 1	\$ 354,100	\$ -	\$ 354,100	\$ -
Loan 2	550,000	-	550,000	-
Loan 3	121,563	-	121,563	-
Loan 4	-	1,200,000	1,000,000	200,000
Loan 5	-	450,000	-	450,000
Total notes payable	<u>\$ 1,025,663</u>	<u>\$ 1,650,000</u>	<u>\$ 2,025,663</u>	<u>\$ 650,000</u>

NOTE 7 - Other Accrued Expenses

Amounts accrued at year end consist of the following:

	<u>Net Assets</u>	<u>Funds</u>
University oversight	\$ 25,810	\$ 25,810
Interest	513,630	-
Total accrued expenses	<u>\$ 539,440</u>	<u>\$ 25,810</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 8 - Long-Term Obligations Payable

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Retirements & Payments</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Business loan 1	\$ 498,817	\$ -	\$ 95,332	\$ 403,485	\$ 101,296
Business loan 2	65,000	-	14,253	50,747	15,588
Business loan 3	190,000	-	30,760	159,240	34,354
Capital lease 1	57,721	-	20,573	37,148	22,765
Capital lease 2	61,657	-	22,607	39,050	25,241
Certificates of participation	15,885,000	-	55,000	15,830,000	60,000
Total long-term debt	<u>\$ 16,758,195</u>	<u>\$ -</u>	<u>\$ 238,525</u>	<u>\$ 16,519,670</u>	<u>\$ 259,244</u>

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 8 - Long-Term Obligations Payable - Continued

The Academy has obtained a business loan from an unrelated third party bearing interest at 6%, and payable in monthly installments of \$10,254 through February 2011.

The Academy has obtained two additional business loans from an unrelated third party bearing interest at .8% above the bank's prime rate, adjusted monthly, and payable in monthly installments of \$1,590 and \$4,000 through June 2010 and June 2011, respectively.

The Academy has issued certificates of participation that require semi annual interest payments at 5.7%. The interest payments are due on November 1 and May 1 and an annual payment of principal of approximately \$60,000 is due on May 1, 2008. The certificates are collateralized by the Academy's facility as well as a pledge for 20% of state school aid payments and funds are held in trust for debt service.

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 259,244	\$ 996,792
2009	3,155,273	976,912
2010	174,150	760,435
2011	125,812	748,678
2012	-	744,458
2013 - 2017	1,315,000	3,590,429
2018 - 2022	1,750,000	3,173,100
2023 - 2027	2,330,000	2,606,724
2028 - 2032	3,125,000	1,838,735
2033 - 2036	4,285,000	736,910

NOTE 9 - Capital Lease Agreements

The Academy is the lessee of various classroom and office equipment held under capital lease agreements. The leases are collateralized by the equipment, bear interest at 10% and expire during the year ended June 30, 2009.

Minimum future lease agreements under capital leases as of June 30, 2007 for each of the next two years:

2008	\$ 53,550
2009	<u>28,900</u>
Subtotal	82,450
Less amount representing interest	<u>6,252</u>
Present value of minimum lease payments	<u><u>\$ 76,198</u></u>

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 10 - Retirement Plan

All leased employees of the Academy are eligible to participate in a retirement plan established by the management company which qualifies under the provisions of section 401(k). Eligible employees may contribute up to 15% of their salaries under the terms of this plan. The Academy's contribution is discretionary. The Academy's contributions to the plan for the year ended June 30, 2007 amounted to \$155,784.

NOTE 11 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its three major funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 611,730	\$ 25,520
Transfer Out	637,250	-	-

As stipulated by the Academy's Certificates of Participation as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy. The transfer of these amounts account for the interfund transactions of the Academy.

NOTE 12 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since the Academy's inception.



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Clifton F. Powell Jr., CPA

**To the Board of Directors
of Charyl Stockwell Academy**

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

We have audited the accompanying basic financial statements of Charyl Stockwell Academy for the year ended June 30, 2007. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Charyl Stockwell Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

August 24, 2007
Rochester, Michigan

CHARYL STOCKWELL ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	General Fund		
	Original Budget	Final Budget	Actual
Revenues			
Local sources	\$ 245,000	\$ 287,431	\$ 297,441
State sources	4,943,518	4,880,135	4,899,735
Federal sources	350,000	427,175	389,693
Total governmental fund revenues	5,538,518	5,594,741	5,586,869
Expenditures			
Elementary school	1,744,794	1,820,057	1,817,049
Special education	302,574	272,422	337,950
Support services	646,580	734,926	620,226
General administration	19,000	29,700	26,341
Executive administration	338,256	331,501	325,889
Building administration	320,778	258,060	252,054
Business support services	557,744	514,143	437,377
Operations and maintenance	412,846	450,585	441,683
Data processing services	40,000	40,000	31,523
Custody and care of children	135,000	150,000	166,564
Capital outlay	80,000	57,000	30,923
Debt principal and interest	308,087	308,087	308,087
Total governmental fund expenditures	4,905,659	4,966,481	4,795,666
Excess (deficiency) of revenues over expenditures	632,859	628,260	791,203
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	(599,015)	(545,597)	(637,250)
Total other financing sources (uses)	(599,015)	(545,597)	(637,250)
Excess of revenues and other financing sources over expenditures and other uses	33,844	82,663	153,953
Fund balance, July 1, 2006	431,696	431,696	431,696
Fund balance, June 30, 2007	\$ 465,540	\$ 514,359	\$ 585,649

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CHARYL STOCKWELL ACADEMY

SCHEDULE OF REVENUES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Local Sources			
After school care	\$ 150,000	\$ -	\$ -
Donations	5,653	-	-
Earnings on investment	-	202,144	1,974
Special education	122,931	-	-
Miscellaneous	18,857	-	-
	<u>297,441</u>	<u>202,144</u>	<u>1,974</u>
Total local sources	297,441	202,144	1,974
State Sources			
At risk	9,327	-	-
Middle school math	6,680	-	-
Special education	140,178	-	-
State aid	4,743,550	-	-
	<u>4,899,735</u>	<u>-</u>	<u>-</u>
Total state sources	4,899,735	-	-
Federal Sources			
Character education grant	382,518	-	-
Title IIA	7,051	-	-
Title V	124	-	-
	<u>389,693</u>	<u>-</u>	<u>-</u>
Total federal sources	389,693	-	-
Total governmental fund revenues	<u>\$ 5,586,869</u>	<u>\$ 202,144</u>	<u>\$ 1,974</u>

See independent auditor's report on supplemental information

CHARYL STOCKWELL ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Elementary School			
Purchased services - salaries	\$ 1,251,299	\$ -	\$ -
Purchased services - benefits	330,545	-	-
Purchased services - payroll taxes	107,884	-	-
Capital outlay - nondepreciable	26,630	-	-
Dues and fees	3,536	-	-
Equipment lease	38,791	-	-
Teaching supplies and textbooks	58,364	-	-
	<hr/>	<hr/>	<hr/>
Total elementary school	1,817,049	-	-
Special Education			
Purchased services - salaries	262,165	-	-
Purchased services - benefits	55,718	-	-
Purchased services - payroll taxes	18,284	-	-
Travel	1,783	-	-
	<hr/>	<hr/>	<hr/>
Total special education	337,950	-	-
Support Services			
Purchased services - salaries	260,799	-	-
Purchased services - benefits	59,331	-	-
Purchased services - taxes	26,033	-	-
Capital outlay - nondepreciable	5,833	-	-
Outside services	154,338	-	-
Printing and reproduction	18,714	-	-
Staff development	27,216	-	-
Teaching supplies and materials	44,627	-	-
Workshops & conferences	23,335	-	-
	<hr/>	<hr/>	<hr/>
Total support services	620,226	-	-
General Administration			
Professional fees	24,792	-	-
Miscellaneous	1,549	-	-
	<hr/>	<hr/>	<hr/>
Total general administration	26,341	-	-

See independent auditor's report on supplemental information



CHARYL STOCKWELL ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued FOR THE YEAR ENDED JUNE 30, 2007

	General	Debt Service	Capital Projects
Executive Administration			
Management fees	184,071	-	-
University oversight	141,818	-	-
Total executive administration	325,889	-	-
Building Administration			
Purchased services - salaries	150,899	-	-
Purchased services - benefits	25,870	-	-
Purchased services - payroll taxes	12,750	-	-
Advertising	41,639	-	-
Dues & fees	1,119	-	-
Postage & delivery	7,324	-	-
Supplies and other	12,015	-	-
Workshops & conferences	438	-	-
Total building administration	252,054	-	-
Business Support Services			
Bank fees	16,066	-	-
Liability insurance	37,976	-	-
Management fees	383,335	-	-
Total business support services	437,377	-	-
Operations and Maintenance			
Purchased services - salaries	111,500	-	-
Purchased services - benefits	34,469	-	-
Purchased services - payroll taxes	9,972	-	-
Management fees	15,000	-	-
Repair and maintenance	83,644	-	-
Supplies and materials	11,014	-	-
Telephone	15,920	-	-
Utilities	160,164	-	-
Total operations and maintenance	441,683	-	-

See independent auditor's report on supplemental information

CHARYL STOCKWELL ACADEMY**SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Data Processing Services	31,523	-	-
Custody and Care of Children			
Purchased services - salaries	114,027	-	-
Purchased services - benefits	33,388	-	-
Purchased services - payroll taxes	10,619	-	-
Supplies and materials	8,530	-	-
Total custody and care of children	166,564	-	-
Capital Outlay			
Data processing services	4,509	-	-
Elementary school	7,234	-	-
Site improvements	16,544	-	268,517
Support services	2,636	-	-
Total capital outlay	30,923	-	268,517
Debt Principal and Interest	308,087	1,013,950	-
Total governmental fund expenditures	<u>\$ 4,795,666</u>	<u>\$ 1,013,950</u>	<u>\$ 268,517</u>

See independent auditor's report on supplemental information

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA

Independent Auditor's Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

**To the Board of Directors
of Charyl Stockwell Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charyl Stockwell Academy as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charyl Stockwell Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charyl Stockwell Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charyl Stockwell Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Charyl Stockwell Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.


Croskey, Lanni & Company, P.C.

August 24, 2007
Rochester, Michigan